

**OSCEOLA COUNTY ECONOMIC  
DEVELOPMENT COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

*De Noble & Company PC  
Certified Public Accountants  
Rock Rapids, Iowa*



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## **OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION**

### **OFFICIALS/MEMBERS**

#### **(Before November 22, 2011)**

Kevin Hertz	Chairperson	City of Ocheyedan
Jeff Loring	Vice-Chairman	City of Harris
Brian Mino	Secretary/Treasurer	City of Ashton
Jack Benz	Board Member	City of Melvin
Lila Hatting	Board Member	City of Sibley
Larry Pedley	Board Member	Osceola County
Kirk Grau	Executive Director	
Peggy Steinmetz	Administrative Assistant	

#### **(Effective November 22, 2011)**

Lila Hatting	Chairperson	City of Sibley
Joe McElroy	Vice-Chairman	City of Ocheyedan
Brian Mino	Secretary/Treasurer	City of Ashton
Jack Benz	Board Member	City of Melvin
William Imhoff	Board Member	Osceola County
Amy Muftah	Board Member	City of Harris
Kirk Grau	Executive Director	
Peggy Steinmetz	Administrative Assistant	

# **DE NOBLE & COMPANY PC**

Certified Public Accountants

## **MEMBERS**

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Private Companies Practice Section  
Iowa Society - Certified Public Accountants

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## **Independent Auditor's Report**

To the Officials/Members of the Osceola County Economic Development Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Osceola County Economic Development Commission, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Commission's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Osceola County Economic Development Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Osceola County Economic Development Commission at June 30, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013 on our consideration of the Osceola County Economic Development Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 8 and 27 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Osceola County Economic Development Commission's basic financial statements. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



De Noble & Company PC  
Certified Public Accountants

June 28, 2013

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## Osceola County Economic Development Commission Management's Discussion & Analysis

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Osceola County Economic Development Commission (OCEDC) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the OCEDC's financial statements, which follow.

### **2012 Financial Highlights**

- Revenues of the OCEDC's governmental activities decreased .47%, or \$616, from fiscal year 2011 to fiscal year 2012. Charges for service decreased \$3,294; operating grants, contributions, and restricted interest increased \$2,034; there weren't any capital grants, contributions, and restricted interest in either fiscal year and unrestricted investment earnings increased \$644.
- Program expenses of the OCEDC's governmental activities increased 17.23%, or \$19,617, from fiscal year 2011 to fiscal year 2012. Administration and general expenses increased \$9,270 and loan program expenses increased \$10,347.
- Net assets of the OCEDC's governmental activities decreased .45%, or \$3,545, from fiscal year 2011 to fiscal year 2012.
- The net change in fund balances from June 30, 2011 to June 30, 2012 for each of the major funds of the OCEDC were as follows: General Fund – decrease of \$5,264; Revolving Loan Fund – increase of \$8,672; and Spec Property Loan Fund – increase of \$47.

### **Using this Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the OCEDC's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the OCEDC as a whole and present an overall view of the OCEDC's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the OCEDC's operations in more detail than the government-wide statements by providing information about the funds. The remaining statement provides financial information about activities for which the OCEDC acts solely as an agent or custodian for the benefit of those outside of the OCEDC (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.



- Required Supplementary Information further explains and supports the financial statements with a comparison of the OCEDC's General Fund budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the individual Agency Funds.

## **Reporting the OCEDC's Financial Activities**

### *Government-Wide Financial Statements*

One of the most important questions asked about the OCEDC's finances is "Is the OCEDC as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the OCEDC's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the OCEDC's net assets may serve as a useful indicator of whether the financial position of the OCEDC is improving or deteriorating.

The Statement of Activities presents information showing how the OCEDC's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The OCEDC's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include loan programs and administration and general. Member assessments and investment earnings finance most of these activities. The OCEDC has no business type activities.

### *Fund Financial Statements*

The OCEDC has two kinds of funds:

- 1) Governmental Funds account for the OCEDC's basic services. These focus on how money flows into and out of these funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the OCEDC's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the OCEDC's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the OCEDC's own programs. These fiduciary funds include Agency Funds

that account for the Community Foundation of Osceola County and the Hawkeye Point Foundation.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities from a year ago.

#### **Net Assets of Governmental Activities**

	<b><u>June 30, 2012</u></b>	<b><u>June 30, 2011</u></b>
Current Assets	\$ 349,207	\$ 428,868
Notes Receivable	464,277	380,057
Capital Assets	1,714	2,068
Net OPEB Asset	523	523
Total Assets	<u>815,721</u>	<u>811,516</u>
Other Liabilities	<u>24,564</u>	<u>16,814</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,714	2,068
Restricted for Revolving Loan Purposes	788,924	780,543
Restricted for Spec Property Loan Purposes	17,204	17,157
Unrestricted	( 16,685)	( 5,066)
Total Net Assets	<u>\$ 791,157</u>	<u>\$ 794,702</u>

The net assets of the OCEDC decreased by \$3,545. The largest portion of the OCEDC's net assets is restricted for revolving loan purposes. Restricted net assets represent resources that are subject to external restrictions on how they can be used. Net assets restricted for revolving loan purposes increased \$8,428 or 1.08% during the fiscal year ended June 30, 2012. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements – decreased an additional \$11,619, or 229.35% during the fiscal year ended June 30, 2012.

#### **Changes in Net Assets of Governmental Activities**

	<b><u>Year Ended June 30, 2012</u></b>	<b><u>Year Ended June 30, 2011</u></b>
Program Revenues:		
Charges for Service	\$ 7,386	\$ 10,680
Operating Grants, Contributions, and Restricted Interest	103,221	101,187
Unrestricted Investment Earnings	19,324	18,680
Total Revenues	<u>129,931</u>	<u>130,547</u>

Program Expenses:		
Loan Programs	11,853	1,506
Administration and General	121,623	112,353
Total Expenses	<u>133,476</u>	<u>113,859</u>
Change in Net Assets	( 3,545)	16,688
Net Assets Beginning of Year	<u>794,702</u>	<u>778,014</u>
Net Assets End of Year	<u>\$ 791,157</u>	<u>\$ 794,702</u>

### **Individual Major Fund Analysis**

As the OCEDC completed the year, the governmental funds reported a combined fund balance of \$798,610, an increase of \$3,455, or .43% above last year's total of \$795,155. The following are major reasons for the changes in individual fund balances during the fiscal year ended June 30, 2012.

- The General Fund had a decrease in fund balance of \$5,264 during fiscal year 2012. Revenues increased \$2,170 or 2.02% from the prior year due mainly to an increase in contributions received from public entity members (\$1,534 increase) and a donation received from Alliant Energy (\$500). Expenditures increased \$4,117 with the largest increases in employee benefits and tech and website management.
- The Revolving Loan Fund reported an increase in fund balance in fiscal year 2012 of \$8,672 or 1.11% (from \$778,852 to \$787,524). Revolving Loan Fund revenues decreased by \$1,608 or 7.19% when compared to the prior year primarily due to recovery of bad debt received in fiscal year 2011. Expenditures increased from last fiscal year by \$10,583 or 702.72% primarily due to the payment of \$9,150 to the City of Sibley for the purchase of a building in a joint development project.
- The Spec Property Loan Fund showed an increase in fund balance in fiscal year 2012 of \$47, which represents interest income earned on bank balances. There were no other transactions during the fiscal year ended June 30, 2012 in this fund.

### **Budgetary Highlights**

The OCEDC's Board annually adopts a budget for the General Fund on the modified accrual basis. The budget may be amended during the fiscal year with Board approval. During the fiscal year, there were no amendments to the General Fund budget. During the fiscal year ended June 30, 2012, actual revenues came in over the amount budgeted by \$51 and actual expenditures came in below the amount budgeted by \$2,868.

### **Capital Assets**

At June 30, 2012, the OCEDC had \$10,019 invested in capital assets as follows:

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Furniture and Fixtures	\$ 4,015	4,015
Computer Equipment	5,339	5,677
Other Equipment	665	665
Total	<u>\$ 10,019</u>	<u>10,357</u>

During fiscal year 2012, the only capital asset addition was the purchase of a computer and related peripheral computer equipment. The OCEDC had depreciation expense of \$766 in fiscal year 2012 and total accumulated depreciation of \$8,305 at June 30, 2012.

### **Long-Term Debt**

The OCEDC had no outstanding notes or bonds as of June 30, 2012. The only long-term debt transactions during the fiscal year ended June 30, 2012 was for compensated absences. Additional information about the OCEDC's compensated absences payable is presented in Note 6 to the financial statements.

### **Economic Factors**

The OCEDC is dependent on the economic health of the Osceola County, Iowa businesses that have been loaned money (the ability of these businesses to make payments on their notes) and of the governmental entity members that comprise the OCEDC.

### **Contacting the OCEDC's Financial Management**

This financial report is designed to provide the citizens of Osceola County, its governmental entity members, borrowers, and creditors with a general overview of the OCEDC's finances and to show the OCEDC's accountability for the revenues received. If you have any questions about this report or need additional information, contact Kirk Grau at 300 7<sup>th</sup> Street, Sibley, Iowa 51249 (phone number: 712-754-2523).

**Osceola County Economic Development Commission**  
**Basic Financial Statements**

**Osceola County Economic Development Commission  
Statement of Net Assets  
June 30, 2012**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 67,514
Certificates of Deposit	278,799
Prepaid Expenses	730
Interest Receivable	2,164
Notes Receivable – Related Parties	117,075
Notes Receivable (Net of Allowance for Doubtful Accounts)	347,202
Capital Assets (Net of Accumulated Depreciation)	1,714
Net OPEB Asset	523
<b>Total Assets</b>	<b>815,721</b>
<b>Liabilities</b>	
Accounts Payable	6,444
Payroll and Benefits Payable	4,463
Deferred Revenue	603
Due to Agency Fund	2,200
Compensated Absences	10,854
<b>Total Liabilities</b>	<b>24,564</b>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,714
Restricted for:	
Revolving Loan Purposes	788,924
Spec Property Loan Purposes	17,204
Unrestricted	( 16,685)
<b>Total Net Assets</b>	<b>\$ 791,157</b>

See Notes to Financial Statements.

**Osceola County Economic Development Commission  
Statement of Activities  
Year Ended June 30, 2012**

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>				
Governmental Activities:				
Loan Programs	\$ 11,853	1,098	0	( 10,755)
Administration & General	121,623	6,288	103,221	( 12,114)
Total	<u>\$ 133,476</u>	<u>7,386</u>	<u>103,221</u>	<u>( 22,869)</u>
<b>General Revenues:</b>				
Unrestricted Investment Earnings				<u>19,324</u>
Total General Revenues				<u>19,324</u>
<b>Change in Net Assets</b>				( 3,545)
<b>Net Assets Beginning of Year</b>				<u>794,702</u>
<b>Net Assets End of Year</b>				<u>\$ 791,157</u>

See Notes to Financial Statements.

**Osceola County Economic Development Commission  
Balance Sheet  
Governmental Funds  
June 30, 2012**

	Special Revenue			Total
	General Fund	Revolving Loan Fund	Spec Property Loan Fund	
<b>Assets</b>				
Cash	\$ 5,845	53,665	8,004	67,514
Certificates of Deposit	0	278,799	0	278,799
Due from General Fund	0	1,443	0	1,443
Prepaid Expenditures	730	0	0	730
Interest Receivable	0	2,164	0	2,164
Notes Receivable – Related Parties	0	107,875	9,200	117,075
Notes Receivable (Net of Allowance for Doubtful Accounts)	0	347,202	0	347,202
<b>Total Assets</b>	<b>\$ 6,575</b>	<b>791,148</b>	<b>17,204</b>	<b>814,927</b>
<b>Liabilities</b>				
Accounts Payable	\$ 6,184	260	0	6,444
Payroll and Benefits Payable	4,463	0	0	4,463
Due to Revolving Loan Fund	1,443	0	0	1,443
Due to Agency Fund	0	2,200	0	2,200
Deferred Revenue	603	1,164	0	1,767
<b>Total Liabilities</b>	<b>12,693</b>	<b>3,624</b>	<b>0</b>	<b>16,317</b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid Expenditures	730	0	0	730
Restricted For:				
Revolving Loan Funds	0	787,524	0	787,524
Spec Loan Funds	0	0	17,204	17,204
Unassigned	( 6,848)	0	0	( 6,848)
<b>Total Fund Balances</b>	<b>( 6,118)</b>	<b>787,524</b>	<b>17,204</b>	<b>798,610</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,575</b>	<b>791,148</b>	<b>17,204</b>	<b>814,927</b>

See Notes to Financial Statements.



**Osceola County Economic Development Commission  
Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Assets  
June 30, 2012**

**Total Governmental Fund Balances (page 12)**

<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	\$ 798,610
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$10,019 and the accumulated depreciation is \$8,305.	1,714
Other long-term assets that produce revenues are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	1,164
The net OPEB asset is not available to pay current period expenditures and, therefore, is not reported in the governmental funds.	523
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	( 10,854)
<b>Net Assets of Governmental Activities (page 10)</b>	<u>\$ 791,157</u>

See Notes to Financial Statements.

**Osceola County Economic Development Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2012**

	Special Revenue			
	General Fund	Revolving Loan Fund	Spec Property Loan Fund	Total
<b>Revenues:</b>				
Contributions from Public Entity Members (Related Parties)	\$ 102,721	0	0	102,721
Donation (Alliant Energy)	500	0	0	500
Administration Fees	6,288	0	0	6,288
Interest Income - Banks	141	3,147	47	3,335
Interest Income - Notes	0	16,516	0	16,516
Loan Application and Documentation Fees	0	1,098	0	1,098
<b>Total Revenues</b>	<b>109,650</b>	<b>20,761</b>	<b>47</b>	<b>130,458</b>
<b>Expenditures:</b>				
Salaries	74,720	0	0	74,720
IPERS	6,248	0	0	6,248
Payroll Taxes	5,990	0	0	5,990
Employee Benefits	15,202	0	0	15,202
Workman's Compensation	758	0	0	758
Development Property	0	9,150	0	9,150
Auto Allowance	2,400	0	0	2,400
Bond Insurance	433	0	0	433
Loan Fees and Expenses	0	2,703	0	2,703
Bank Service Charge	0	236	0	236
Office Expense	1,983	0	0	1,983
Miscellaneous	65	0	0	65
Postage	743	0	0	743
Publications/Professional Dues	861	0	0	861
Travel and Meals	693	0	0	693
Tech and Website Management	3,183	0	0	3,183
Telephone	1,635	0	0	1,635
<b>Total Expenditures</b>	<b>114,914</b>	<b>12,089</b>	<b>0</b>	<b>127,003</b>
<b>Net Change in Fund Balances</b>	<b>( 5,264)</b>	<b>8,672</b>	<b>47</b>	<b>3,455</b>
<b>Fund Balances – Beginning of Year</b>	<b>( 854)</b>	<b>778,852</b>	<b>17,157</b>	<b>795,155</b>
<b>Fund Balances – End of Year</b>	<b>\$ ( 6,118)</b>	<b>787,524</b>	<b>17,204</b>	<b>798,610</b>

See Notes to Financial Statements.

**Osceola County Economic Development Commission  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2012**

**Net Change in Fund Balances – Total Governmental Funds (page 14)** **\$ 3,455**

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense was exceeded by capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	1,035	
Depreciation expense	(766)	269

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources ( 623)

Because some revenues will not be collected for several months after the Commission's year end, they are not considered available revenues and are deferred in the governmental funds. The resulting timing difference is as follows:

Note receivable interest	( 754)	
Bank interest	226	( 528)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	( 6,118)	
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**Change in Net Assets of Governmental Activities (page 11)** **\$ ( 3,545)**

**Osceola County Economic Development Commission**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2012**

	<b>Community Foundation of Osceola County</b>	<b>Hawkeye Point Foundation</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 34,416	14,112	48,528
Due from Primary Government	2,200	0	2,200
<b>Total Assets</b>	<b>36,616</b>	<b>14,112</b>	<b>50,728</b>
<b>Liabilities</b>			
Trusts Payable	36,616	14,112	50,728
<b>Total Liabilities</b>	<b>36,616</b>	<b>14,112</b>	<b>50,728</b>
<b>Net Assets</b>	<b>\$ 0</b>	<b>0</b>	<b>0</b>

See Notes to Financial Statements.

**Osceola County Economic Development Commission**  
**Notes to Financial Statements**  
**June 30, 2012**

1) Summary of Significant Accounting Policies

The Osceola County Economic Development Commission (OCEDC) was formed July 1, 1988, under an intergovernmental agreement pursuant to the Chapter 28E of the Code of Iowa as a separate entity for legal purposes. This agreement was made by and among the County of Osceola, Iowa, and the Cities of Ashton, Harris, Melvin, Ocheyedon, and Sibley, Iowa.

The governmental commission consists of a representative appointed by the Osceola County Board of Supervisors, and one representative appointed by each City Council of the following cities: Ashton, Harris, Melvin, Ocheyedon, and Sibley. Each representative has one vote.

Under the 28E agreement, each member shall be assessed annually and agrees to pay a share of the expenses of the operation of the OCEDC. These member contributions are a critical financial source for the OCEDC. During the fiscal year ended June 30, 2012, the total contributions from public entity members were as follows:

Osceola County	\$ 52,669
City of Ashton	2,521
City of Harris	618
City of Melvin	1,406
City of Ocheyedon	2,893
City of Sibley	42,614
	<hr/>
	\$ 102,721

The OCEDC's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the OCEDC has included all funds, organizations, agencies, boards, commissions, and authorities. The OCEDC has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the OCEDC are such that exclusion would cause the OCEDC's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the OCEDC to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the OCEDC. Criteria also can include an organization's fiscal dependency on the OCEDC or if it would be significantly misleading to exclude an organization because of its relationship with the OCEDC. The OCEDC has no component units which meet the Governmental Accounting Standards Board criteria in order to be included in OCEDC's reporting entity.

## B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all the nonfiduciary activities of the OCEDC. For the most part, the effect of interfund activity has been removed from these statements. OCEDC activities are supported by member contributions, interest received on loans from ultimate recipients, investment interest, loan application and documentation fees, and donations/grants.

The Statement of Net Assets presents the OCEDC's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The OCEDC reports the following major governmental funds:

The General Fund is the general operating fund of the OCEDC. All contributions agreed to by the different entities within the intergovernmental agreement and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures and fixed charges not paid from other funds.

### Special Revenue:

The Revolving Loan Fund is used to provide financial assistance to attract, retain, or expand business that would generate public gains and benefits within Osceola County. These funds are loaned out to businesses with a pay back period of not more than ten years. All interest earned stays within the fund.

The Spec Property Loan Fund is used to provide financial assistance to development corporations for new construction, purchase of existing commercial/retail property, acquisitions of land, and/or demolition or renovation of spec property within the Cities of Ashton, Harris, Melvin, Ocheyedun, and Sibley, Iowa. These funds are targeted toward properties which potentially generate public gains and benefits. Funds can be used for a 0% or low-interest loan which would be paid back to the pool when the property is sold. All interest earned stays in the fund.

Additionally, the OCEDC reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the OCEDC as an agent for non-profit organizations.

### C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions from public entity members are recognized as revenue in the year for which the amount is assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the OCEDC considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (contributions from public entity members, grants, and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the OCEDC.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, as applicable, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources, as applicable.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balances and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Certificates of Deposit – The OCEDC has its cash invested in interest bearing bank accounts and certificates of deposit located in banking institutions within Osceola County. The OCEDC also earns interest from direct notes receivable (See Note 5). The interest earned on the cash accounts, certificates of deposit and notes receivable is recorded and maintained in the appropriate funds.

Due from General Fund, Due from Primary Government, Due to Revolving Loan Fund and Due to Agency Fund – During the course of its operations, the OCEDC has transactions between the OCEDC's governmental funds and the agency funds, and had made deposits into or made payments out of the incorrect fund. To the extent that certain transactions between the OCEDC's different governmental funds, deposits between bank accounts, and certain transactions between the OCEDC's governmental funds and agency funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the financial statements.

Prepaid Expenses/Expenditures – Prepaid expenses/expenditures are recorded as expenses/expenditures when utilized rather than when paid.

Capital Assets – Capital assets, which include equipment and furniture and fixtures, are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The OCEDC does not have Board approved capitalization or intangibles policies due to the minor amount of capital assets/intangibles maintained by the OCEDC. Capital assets of the OCEDC are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Computer Equipment	5 years
Furniture and Fixtures	10 years
Other Equipment	10 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of accrued interest receivable not collected within sixty days after year end and fiscal year 2012-2013 member assessments paid in advance.

Deferred revenue in the Statement of Net Assets consists of succeeding year contributions from public entity members received during the year which will not be recognized as revenue until the fiscal year for which the public entity member was assessed.



Compensated Absences – OCEDC employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned; retired or employment has terminated for another reason (which there was none). The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Trusts Payable – Trusts payable represents amounts due to others which are held in fiduciary capacities.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The OCEDC Board annually adopts a budget on the modified accrual basis for the General Fund. The budget may be amended during the year. During the year ended June 30, 2012, the General Fund budget was not exceeded for expenditures.

#### 2) Cash and Certificates of Deposit

The OCEDC's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The OCEDC is authorized by statute and the OCEDC's written investment policy to invest public funds in certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the OCEDC's Board.

The OCEDC has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3) Due from General Fund, Due from Primary Government, Due to Revolving Loan Fund, and Due to Agency Fund

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Revolving Loan Fund	General Fund	\$ 1,443
Agency Fund: Community Foundation of Osceola County	Special Revenue: Revolving Loan Fund	2,200
Total		<u>\$ 3,643</u>

The \$1,443 due to the Revolving Loan Fund from the General Fund is for Revolving Loan Fund revenue which was deposited into General Fund bank accounts by error. During the year ended June 30, 2007, the Community Foundation of Osceola County paid \$2,200 to the Revolving Loan Fund in error. This money is still owed to the Community Foundation of Osceola County as this balance has never been paid back as of June 30, 2012

4) Notes Receivable and Notes Receivable – Related Parties

A. Revolving Loan Fund

The OCEDC'S mission of implementing economic development projects within Osceola County is being accomplished by the lending of monies for various economic development projects at a reasonable rate of interest.

The notes issued carry an interest rate from 3% to 4.5%. The terms of notes vary from three years to five years, with some extensions granted for hardships that meet certain criteria. The amount of notes receivable (net of allowance for doubtful accounts) and notes receivable – related parties shown on the statement of net assets as of June 30, 2012 reflects the amount due on those notes receivable as of that date and is computed as follows:

Balance on June 30, 2011 (\$0 in Allowance for Doubtful Accounts)	\$ 370,857
New Notes Issued	156,820
Payments on Principal	( 72,600)
Balance on June 30, 2012 (\$0 in Allowance for Doubtful Accounts)	<u>\$ 455,077</u>

The following are the scheduled amounts of notes receivable principal coming due for the fiscal years ending:

June 30, 2013 (Current)	\$ 66,286
June 30, 2014 (Non-current)	63,300
June 30, 2015 (Non-current)	60,180
June 30, 2016 (Non-current)	47,439
June 30, 2017 and After (Non-current)	217,872
	<u>\$ 455,077</u>

Loans are carried as notes receivable until deemed uncollectible. As of June 30, 2012, no allowance for doubtful accounts has been recorded.

During the year ended June 30, 2008, Osceola County (a member of the OCEDC; therefore, considered to be a related party) entered into a loan agreement with the OCEDC through the Revolving Loan Fund for \$140,000. This note is scheduled to be paid pack quarterly based on a 25 year payback schedule with a balloon payment at the end of 10 years at a 4.5% interest rate. The balance as of June 30, 2012 on this note was \$107,875 and is included in the above totals. This amount is reported separately in the financial statements as notes receivable – related parties.

#### B. Spec Property Loan Fund

The notes issued through the Spec Property Loan Fund carry an interest rate of 0%. The terms of the notes run until the spec property is sold. Several of the notes receivable are with cities which are members of the OCEDC and are therefore considered to be with related parties. All notes receivable – related parties are considered non-current as of June 30, 2012.

#### 5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	<b>Balance Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance End of Year</b>
Furniture and Fixtures	\$ 4,015	0	0	4,015
Computer Equipment	5,677	1,035	(1,373)	5,339
Other Equipment	665	0	0	665
Total Capital Assets	10,357	1,035	(1,373)	10,019
Less Accumulated Depreciation	8,289	766	(750)	8,305
Governmental Activities Capital Assets, Net	\$ 2,068	269	(623)	1,714

Depreciation expense of \$766 was charged to the Administration & General program.

The OCEDC does not have any “intangible” capital assets as of June 30, 2012.

#### 6) Changes in Compensated Absences (Long-Term Liability)

The only long-term liability during the year ended June 30, 2012 is for compensated absences.

A summary of changes in compensated absences for the fiscal year ended June 30, 2012 is as follows:

	<b>Compensated Absences</b>
Balance – Beginning of Year	\$ 4,736
Increases	11,488
Decreases	(5,370)
Balance – End of Year	\$ 10,854

## 7) Pension and Retirement Benefits

The OCEDC contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the OCEDC is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The OCEDC's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$6,248, \$5,093, and \$4,870 respectively, equal to the required contributions for each year.

## 8) Other Postemployment Benefits (OPEB)

Plan Description. The OCEDC operates a single-employer retiree benefit plan (participating with the Osceola County) which provides medical/prescription drug benefits for retirees and their spouses. There are 2 active and 0 retired members participating in the OCEDC's plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability (asset).

Funding Policy. The contribution requirements of plan members are established and may be amended by the OCEDC. The OCEDC currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The OCEDC's annual OPEB cost is calculated based on the annual required contribution (ARC) of the OCEDC, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the OCEDC's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the OCEDC's net OPEB obligation:

Annual required contribution	\$ 679
Interest on net OPEB obligation	0
Adjustment to annual required contribution	20
Annual OPEB cost	699
Contributions made	( 699)
Increase in net OPEB obligation	0
Net OPEB obligation beginning of year	( 523)
Net OPEB obligation end of year	\$ ( 523)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the OCEDC contributed \$699 to the medical plan. Plan members eligible for benefits did not make any contributions.

The OCEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<b>Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2010	\$ 659	179.0%	\$ (523)
2011	\$ 679	100.0%	\$ (523)
2012	\$ 699	100.0%	\$ (523)

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability of the OCEDC was \$7,887, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,887. The OCEDC's covered payroll (annual payroll of active employees covered by the plan) was \$77,427 and the ratio of the UAAL to covered payroll was 10.18%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit with linear prorating to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the OCEDC's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2012 using Scale AA. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007. Termination rates were set based on the historical experience of the OCEDC.

Projected claim costs of the medical plan are \$9,820 annually for retirees. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### 9) Risk Management

The OCEDC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Surety bond and workers compensation related risks are covered by commercial insurance purchased from independent third parties. The OCEDC assumes liability for any deductibles and claims in excess of coverage limitations for surety bond and workers compensation related risks. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The OCEDC has not purchased any commercial insurance coverage and has not set aside any funds for the other possible risks of loss.

#### 10) Deficit Fund Balances

The General Fund had a deficit fund balance of \$6,118 at June 30, 2012. The OCEDC is diligently continuing evaluation of what options are available to address the financial stress of the General Fund.

#### 11) Subsequent Events

In September 2012, the Board approved and issued a note receivable for \$67,500 from the Revolving Loan Fund (terms: 4.5% on a 10 year amortization schedule with a balloon payment at the end of 5 years).

In December 2012, the Board approved and issued a note receivable for \$27,500 from the Revolving Loan Fund (terms: 4.5% on a 10 year amortization schedule with a balloon payment at the end of 5 years).

#### 12) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Osceola County Economic Development Commission**

**Required Supplementary Information**

**Osceola County Economic Development Commission**  
**Budgetary Comparison Schedule of**  
**Receipts, Disbursements and Changes in Balances–**  
**Budget and Actual (Modified Accrual Basis) – General Fund**  
**Required Supplementary Information**  
**Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Final to Actual</b>
	<b>Actual</b>	<b>Original</b>	<b>Variance</b>
<b>Revenues:</b>			
Contributions from Public Entity			
Members (Related Parties)	\$ 102,721	102,721	0
Alliant Energy Donation	500	0	500
Administrative Fees	6,288	3,812	2,476
Interest Income – Banks	141	3,066	( 2,925)
<b>Total Revenues</b>	<b>109,650</b>	<b>109,599</b>	<b>51</b>
<b>Expenditures:</b>			
Salaries	74,720	74,608	( 112)
IPERS	6,248	6,021	( 227)
Payroll Taxes	5,990	5,782	( 208)
Employee Benefits	15,202	15,260	58
Workman’s Compensation	758	778	20
Auto Allowance	2,400	2,400	0
Bond Insurance	433	433	0
Office Expense	1,983	1,500	( 483)
Miscellaneous	40	0	( 40)
Postage	743	1,000	257
Professional Fees	25	5,600	5,575
Publications/Professional Dues	861	650	( 211)
Special Projects	0	500	500
Tech and Website Management	3,183	900	( 2,283)
Telephone	1,635	2,000	365
Travel and Meals	693	350	( 343)
<b>Total Expenditures</b>	<b>114,914</b>	<b>117,782</b>	<b>2,868</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>( 5,264)</b>	<b>( 8,183)</b>	<b>2,919</b>
<b>Other Financing Source (Transfer In)</b>	<b>0</b>	<b>8,183</b>	<b>( 8,183)</b>
<b>Deficiency of Revenues and Other Financing Source Under Expenditures</b>	<b>\$ ( 5,264)</b>	<b>0</b>	<b>( 5,264)</b>

See Accompanying Independent Auditor’s Report.



**Osceola County Economic Development Commission**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2012**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund. The OCEDC's Board annually adopts a budget for the General Fund on the modified accrual basis. The General Fund budget may be amended during the fiscal year with Board approval. The OCEDC's Board is not required to and has chosen not to adopt a budget for the Special Revenue Funds (Revolving Loan Fund and Spec Property Loan Fund).

During the fiscal year, the OCEDC did not amend the General Fund budget.

During the year ended June 30, 2012, the OCEDC's expenditures did not exceed the amount budgeted in total (although the budget document presents the disbursements by expenditure account, the legal level of control is the aggregated total for the General Fund).

**Osceola County Economic Development Commission**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**

<i><b>Year Ended June 30,</b></i>	<i><b>Actuarial Valuation Date</b></i>	<i><b>Actuarial Value of Assets (a)</b></i>	<i><b>Actuarial Accrued Liability (AAL) (b)</b></i>	<i><b>Unfunded AAL (UAAL) (b-a)</b></i>	<i><b>Funded Ratio (a/b)</b></i>	<i><b>Covered Payroll (c)</b></i>	<i><b>UAAL as a Percentage Of Covered Payroll ((b-a)/c)</b></i>
2010	Jul 1, 2009	\$ 0	7,887	7,887	0.00%	73,571	10.72%
2011	Jul 1, 2009	\$ 0	7,887	7,887	0.00%	73,571	10.72%
2012	Jul 1, 2009	\$ 0	7,887	7,887	0.00%	77,427	10.18%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Osceola County Economic Development Commission**

**Supplementary Information**

**Osceola County Economic Development Commission**  
**Combining Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2012**

	<b>Community Foundation of Osceola County</b>	<b>Hawkeye Point Foundation</b>	<b>Total</b>
<b>Assets and Liabilities</b>			
Balances Beginning of Year	\$ 27,297	8,338	35,635
Additions:			
Grants and Contributions	26,959	12,689	39,490
Interest Income	0	6	6
Miscellaneous/Trusts	0	231	389
Total Additions	26,959	12,926	39,885
Deductions:			
Agency Remittances:			
To Osceola County (Related Party)	0	1,424	1,424
Trusts Paid Out	17,640	5,728	23,368
Total Deductions	17,640	7,152	24,792
Balances End of Year	\$ 36,616	14,112	50,728

See Accompanying Independent Auditor's Report.

**Osceola County Economic Development Commission**

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards***

# **DE NOBLE & COMPANY PC**

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### **Independent Auditor's Report on** **Internal Control over Financial Reporting and on Compliance and Other Matters** **Based on an Audit of Financial Statements Performed in Accordance with** **Government Auditing Standards**

To the Officials/Members of the Osceola County Economic Development Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Osceola County Economic Development Commission (OCEDC) as of and for the year ended June 30, 2012, which collectively comprise the OCEDC's basic financial statements listed in the table of contents, and have issued our report thereon dated June 28, 2013. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control over Financial Reporting**

The management of the OCEDC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the OCEDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the OCEDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OCEDC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the OCEDC's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the OCEDC's internal control described in the accompanying Schedule of Findings as items 12-A, C and D to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with

governance. We consider the deficiency described in the accompanying Schedule of Findings as item 12-B to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCEDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance or other matter that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the OCEDC's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the OCEDC. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The OCEDC's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the OCEDC's responses, we did not audit the OCEDC's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials/members and citizens of members of the Osceola County Economic Development Commission and other parties to whom the OCEDC may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the OCEDC during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



De Noble & Company PC  
Certified Public Accountants

June 28, 2013

**Osceola County Economic Development Commission**  
**Schedule of Findings**  
**For The Fiscal Year Ended June 30, 2012**

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

12-A      Segregation of Duties – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from individual error or dishonesty and, therefore, maximizes the accuracy of the OCEDC's financial statements. We noted that generally the administrative assistant performs all recordkeeping functions and handles all cash. Financial duties are not rotated at any time during the year.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the OCEDC should review its operating procedures to obtain the maximum internal control possible under the circumstances. At a minimum, a member of the Board should review financial transactions, reconciliations and reports. Such reviews should be evidenced by initials or signature of the reviewers and the dates of the reviews.

Response – We will investigate different alternatives. When possible, we will attempt to utilize existing personnel and independent persons to provide additional control through review of financial transactions and reports.

Conclusion – Response accepted. It is important you attempt to implement this recommendation.

12-B      Payroll Issues – During our audit, we noted that the OCEDC's employees do not complete timesheets.

Recommendation – The OCEDC should implement procedures for employees to track hours worked. Additionally, the timesheets should be signed/initialed by the employee's supervisor as indication that the time sheets/time cards have been formally approved.

Response – All OCEDC employees are paid a set salaried amount; therefore, we do not feel a daily accounting of hours worked is necessary.

Conclusion – Response accepted. However, timesheets provide support for compensated absences taken and can be used by the Board as an analysis tool.



**Osceola County Economic Development Commission**  
**Schedule of Findings**  
**For The Fiscal Year Ended June 30, 2012**

- 12-C      Insurance Coverage – The OCEDC only carries commercial insurance for surety bond and workers compensation coverage. The OCEDC has not purchased any additional commercial insurance coverage (directors, liability, etc.) and has not set aside any funds for possible risks of loss the OCEDC is exposed to.
- Recommendation – The OCEDC needs to formally review its insurance coverage to ensure that the types and amounts of insurance coverages are adequate for current operations.
- Response – We have looked into options to obtain adequate coverage within a reasonable cost, but haven't found any yet. We will continue to consider the potential liability exposure versus the high cost of coverage.
- Conclusion – Response accepted
- 12-D      Financial Reporting – During the audit, we identified material amounts of assets, liabilities, net assets/fund balances, revenues/receipts and expenses/expenditures not recorded properly in the OCEDC's financial statements. Adjustments were subsequently made by the OCEDC to properly include these amounts in the financial statements.
- Recommendation – The OCEDC should implement procedures to ensure all assets, liabilities, net assets/fund balances, revenues/receipts and expenses/expenditures are identified and included in the OCEDC's financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.
- Response – We will review our procedures to identify areas where we can improve on our financial records.
- Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Osceola County Economic Development Commission**  
**Schedule of Findings**  
**For The Fiscal Year Ended June 30, 2012**

**Other Findings Related to Required Statutory Reporting:**

- 12-1      Certified Budget – The OCEDC prepares a budget for the General Fund only. Expenditures during the year ended June 30, 2012 did not exceed the amount budgeted in total for the General Fund.
- 12-2      Questionable Expenditures – We did not note any expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 12-3      Travel Expense – No expenditures of OCEDC money for travel expenses of spouses of OCEDC officials or employees were noted.
- 12-4      Business Transactions – No business transactions between the OCEDC and OCEDC officials or employees were noted.
- 12-5      Bond Coverage – Surety bond coverage of OCEDC officials and employees is maintained. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 12-6      Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 12-7      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the OCEDC's investment policy were noted.
- 12-8      Financial Condition – The General Fund had a deficit fund balance at June 30, 2012 of \$6,118.
- Recommendation – The OCEDC should investigate alternatives to eliminate this deficit fund balance in order to return the fund to a sound financial position.
- Response – We will work to eliminate the deficit fund balance through allowable interfund transfers from the Revolving Loan Fund in future fiscal years.
- Conclusion – Response accepted.

**Osceola County Economic Development Commission**

**Staff**

This audit was performed by:

David De Noble, CPA, Senior Auditor  
Carmen Austin, CPA, Senior Auditor  
Nathan Hoekstra, Assistant Auditor  
Kayla Reck, Assistant Auditor

De Noble & Company PC  
Certified Public Accountants

